

INTERSTATE
DEPARTMENT STORES, INC.
NEW YORK, N. Y.

ANNUAL REPORT
YEAR ENDING
JANUARY 31, 1934

DIRECTORS

PHILIP I. CARTHAGE

PAUL MAZUR

CHRISTIAN E. DAHLGREN

ALBERT PARKER

HENRY GESSNER

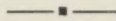
JOHN STILLMAN

DAVID LEVENTHAL

HAROLD J. SZOLD

WILL I LEVY

BENJAMIN VOLEN



OFFICERS

President HENRY GESSNER

1st Vice-President WILL I LEVY

2nd Vice-President JOHN STILLMAN

3rd Vice-President BENJAMIN VOLEN

Treasurer PHILIP I. CARTHAGE

Secretary ALBERT PARKER

Assistant Secretary FREDERICK CORD

APRIL 9TH, 1934.

TO THE STOCKHOLDERS OF
INTERSTATE DEPARTMENT STORES, INC.:

Submitted herewith are the Consolidated Financial Statements of the Company and its Subsidiaries as of January 31, 1934 and for the fiscal year then ended.

The net profit for this period was \$184,926.98, compared with a net loss of \$594,068.53 for the preceding fiscal year. Sales in the stores operated by the subsidiary companies were \$21,310,834.49, a decline of 2.95% below sales for the preceding fiscal year.

The financial condition of the Company at the close of the year showed substantial improvement over that of the year before. Net working capital increased during the fiscal year from \$2,714,372.84 to \$2,955,161.34. Cash was \$1,285,707.28 which was equivalent to 119.7% of total current liabilities compared with 52.7% on January 31, 1933. There are no bank loans outstanding. The inventories were lower than on January 31, 1933 and they represented a considerably larger proportion of current merchandise than a year ago.

During the recent fiscal year the Company made substantial changes in its policies and methods of operations of the business. The management believes that the internal condition of the Company is such that it can now take full advantage of any degree of national recovery.

On February 1st, 1934, a dividend payment of \$1.75 a share was made to preferred stockholders of record on January 22, 1934; and on April 6th, 1934 a dividend payment of \$1.75 a share was declared payable on May 1, 1934 to preferred stockholders of record on April 20th, 1934. Accumulations of undeclared dividends on the outstanding preferred stock amounts to \$5.25 per share.

Improvement in the Company's position is due in substantial measure to the cooperative efforts of the executives and personnel and to the advisory services performed under a contract with Lehman Brothers made by the earlier management on January 3, 1933. For such services Lehman Brothers received an option on 10,000 shares of Common stock of the Company in its treasury, which option has appeared in an earlier balance sheet, and which represents the right to purchase these shares in whole or in part over a period of time expiring January 31, 1936 at the price of \$10.00 per share. Apart from this option the only compensation for such services has been cash payments never in excess of \$20,000. per year by way of partial reimbursement to Lehman Brothers for salary payments to associates of that firm who devote substantially all or considerable portions of their time to the Company's business. The contract further provides that if any profit-sharing arrangement is made with the President of the Company, Lehman Brothers is entitled to receive an equal amount of additional compensation.

There will be submitted to stockholders at their annual meeting on April 25, 1934, a proposed plan, which has the approval of the Board of Directors, for additional compensation to the management of the Company, to be based on the earnings of the Company over and above requirements for payment of current Preferred Dividends. Salaries being paid to executives are low, none at present being greater than \$18,000. a year. In order to retain management personnel, but to avoid fixed increases in compensation payable regardless of the results of the business it has been felt by the directors that it would be wise to make provision for additional compensation, payable only after current preferred dividend requirements are met and to such an extent and in such a manner as shall not substantially deplete earnings available for distribution to stockholders.

Very truly yours,

HENRY GESSNER,
President.

INTERSTATE DEPAR

AND SUBSID

CONSOLIDATED BALANCE

A S S E T S

CURRENT ASSETS:

Cash	\$1,285,707.28	
Accounts receivable, trade, less reserves of \$24,089.06.....	190,313.53	
Sundry debtors	67,388.94	
Due from officers and employees, less reserves	4,614.12	
Inventories—on the basis of cost or market, whichever is lower:		
Merchandise	2,337,375.08	
Merchandise in transit	143,709.28	
Total current assets		\$4,029,108.23

OTHER ASSETS:

Deposits in closed banks, less reserve of \$45,101.10.....	\$ 26,574.40	
Miscellaneous balances	19,910.27	
		46,484.67

FIXED ASSETS:

Land and building—at cost, less depreciation of \$34,678.63.....	\$ 265,321.37	
Leaseholds—at cost, less depreciation of \$66,157.11	181,740.01	
Alterations and improvements to leased premises—at cost, less depreciation of \$204,214.37	298,357.04	
Furniture and fixtures—at cost, less depreciation of \$744,582.05	614,116.97	
Delivery equipment—at cost, less depreciation of \$5,877.43	2,208.28	
		1,361,743.67

DEFERRED CHARGES:

Prepaid expenses (unexpired insurance, etc.)	\$ 107,818.39	
Supplies	45,807.11	
Pre-opening expenses	8,137.39	
		161,762.89
		\$5,599,099.46

* Of these shares reacquired, 10,000 shares explained in the accompanying report

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RY COMPANIES

SHEET, JANUARY 31, 1934

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 687,274.71
Trade creditors for merchandise in transit	143,709.28
Accrued salaries and expenses	101,892.53
Accrued taxes	102,003.58
Sundry creditors and reserves	39,066.79

Total current liabilities \$1,073,946.89

MINORITY INTEREST IN SUBSIDIARY COMPANY 5,972.32

NET WORTH:

Preferred stock, 7% cumulative of the par value of
\$100.00 per share:

	<u>Shares</u>	
Authorized and issued	32,500	
Less:		
Retired and cancelled	6,000	
In treasury, held for retirement	1,700	
	<u>7,700</u>	
Outstanding, 24,800 shares		\$2,480,000.00

Common stock of no par value:

Authorized, 240,000 shares

Issued, 233,602 shares of the stated value of \$5.00
per share \$1,168,010.00

Less, 30,000 shares reacquired 150,000.00*

Outstanding, 203,602 shares 1,018,010.00

Surplus, per Statement No. 2 1,021,170.25

4,519,180.25

NOTE: Preferred dividends to February 1, 1934 are in arrears to the extent
of three quarterly payments aggregating \$130,200.00.

\$5,599,099.46

are reserved for sale under an option, as
of the President.

INTERSTATE DEPARTMENT STORES, INC.

AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1934

BALANCE, February 1, 1933	\$ 779,643.27
ADD:	
Net profit, per Statement No. 3	184,926.98
Transfer from reserve for contingencies	100,000.00
	<hr/>
	\$1,064,570.25
DEDUCT dividend declared on preferred stock—one quarterly dividend.....	43,400.00
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BALANCE, January 31, 1934 (capital surplus remaining after deduction of operating deficit), to Statement No. 1	\$1,021,170.25
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NOTE: Surplus has not been appropriated with respect to capital stock repurchased.

INTERSTATE DEPARTMENT STORES, INC.

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1934

NET SALES:		
Owned departments	\$17,934,496.99	
Leased departments	3,376,337.50	
		\$21,310,834.49
COST OF GOODS SOLD, SELLING, OPERATING AND ADMINISTRATIVE EXPENSES, exclusive of depreciation and interest		20,860,047.07
		\$ 450,787.42
DEDUCT:		
Depreciation of building and fixtures	\$ 184,077.39	
Pre-opening expenses written off	13,510.43	
Interest paid	7,541.54	
		205,129.36
		\$ 245,658.06
OTHER DEDUCTIONS:		
Adjustments and settlements applicable, in the main, to prior years	\$ 67,885.85	
Less interest on bank balances and other non-trading income	6,956.08	
		60,929.77
		\$ 184,728.29
PROPORTION OF LOSS OF A SUBSIDIARY COMPANY APPLICABLE TO ITS MINORITY INTEREST		198.69
NET PROFIT, to Statement No. 2		\$ 184,926.98

TOUCHE, NIVEN & CO.
Public Accountants
EIGHTY MAIDEN LANE
NEW YORK

APRIL 6, 1934.

TO THE BOARD OF DIRECTORS OF
INTERSTATE DEPARTMENT STORES, INC.:

We have made an examination of the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1934, and of the consolidated statements of profit and loss and surplus for the year then ended. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, their position at January 31, 1934, and the combined results of their operations for the year then ended.

TOUCHE, NIVEN & Co.,
Public Accountants.

This report is solely for statistical information for stockholders, and is not a representation, prospectus or circular in respect of any stock of any corporation, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or with any preliminary negotiation for such sale.

